

Massive austerity measures approved by California Legislature

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The California Assembly approved a series of 31 separate bills Friday to close the state's \$26 billion budget shortfall through drastic cuts in social programs and education. The vote comes after a bipartisan agreement between state Democrats and governor Arnold Schwarzenegger to resolve the budget crisis on the backs of the working class.

It is widely expected that despite the latest agreement, the state's fiscal woes will deepen. California's official unemployment rate is expected to rise during the remainder of 2009 and currently stands at 11.6 percent, the sixth largest in the nation.

Steve Levy, economist at the Center for the Continuing Study of California Economy, stated, "Next year's budget will start with a very large shortfall even if there's a good recovery." He also cautioned that the state will face continued hardship once federal stimulus funds run out.

Democratic state senate president Darrell Steinberg, for his part, said after last Thursday's vote, "I have no illusions that we may be back [to address the deficit]."

Approximately 60 percent of the budget reductions are being made to core state services, while the remainder will be delivered by raiding local government funds and through accounting maneuvers, including the deferral of state employee paychecks by one day in order to delay deficits until fiscal year 2010-2011.

The largest portion of the budget reductions includes \$8.1 billion in cuts to public education. Of this sum, \$6.1 billion will be taken from K-12 education and community colleges, and \$2 billion will be taken from higher education. California elementary and high school students will now rank last in the country in per pupil spending

In response to the higher education cuts, the California Faculty Association representing 22,000 faculty members at the California State University system, voted by a 54 percent majority to mandate that faculty members take two unpaid furlough days each month, while the California State University Employees Union approved a similar furlough agreement earlier in the week. Additionally, the system has reduced enrollment by 40,000 students. It has also raised student fees by 20 percent and reduced course offerings. Students and parents are essentially being asked to pay a great deal more for a great deal less.

About \$1.3 billion in cuts have been made to the state's Medi-Cal program, which provides health care to low-income families. Half a million will be cut from the state's welfare program, and \$124 million from an insurance program for children.

Another \$1.3 billion was taken from state workers through a mandatory three unpaid furlough days a month, which amounts to a net 15 percent pay cut per worker. There is also a distinct possibility that state workers will be asked to take an additional fourth and fifth unpaid furlough day each month, resulting in a total loss of pay of 25 percent.

In addition to the closure of state offices in accordance with the furlough days, it is widely expected that state infrastructure will be severely affected. Potholes and even traffic lights may go unrepaired. Most recently, a hazardous chemical spill in San Luis Obispo was not cleaned for a full ten hours due to the unavailability of Department of Transportation workers.

Local infrastructure will also be devastated by \$2 billion in forced borrowing from local governments to the state. These funds will not be repaid until 2012, if at all. As a result, needed repairs to bridges and roads will

be postponed until funding is procured.

The state will also take \$1.7 billion from local redevelopment agencies, devastating urban communities in particular.

A further \$1.7 billion in new revenue will also be achieved by requiring taxpayers who make quarterly-estimated tax payments to make larger payments in the first two quarters, and \$600 million will also be received from increased income tax withholdings from paychecks.

The sale of a portion of the State Compensation Insurance Fund will yield \$1 billion. This is effectively the beginning of the privatization of workers compensation insurance.

Two provisions—one on offshore drilling and another on requisition of local funds—failed to pass the Assembly. The governor has indicated that he will respond to the resulting budget gap by using his veto power to enforce further cuts in social spending.

As far as the state's issuance of registered warrants (IOU's) is concerned, state controller John Chiang has reported that the state will continue to issue the warrants in lieu of actual cash payments. Most large banks, including Bank of America and JPMorgan Chase, stopped accepting the IOUs on July 10, despite each already being the recipients of tens of billions of dollars of taxpayer money.

The issuance of the IOU's was a result of the fact that the state could not sell short term loans, or what it calls Revenue Anticipation Notes, to outside investors. The situation was exacerbated by the Obama administration, which flatly refused to underwrite the notes.

The state's bond ratings were reduced to near junk status by Fitch and Moody's rating services, placing further pressure on the state to reach a solution to the budget crisis in the interests of Wall Street investors. Despite the fact that the desired solution was achieved, the ratings agencies have not yet upgraded the state's credit rating.

The budget crisis reveals in stark terms the class character of American society, and in particular the role of the Democratic Party and the media. At a state level, the Democratic Party has fully supported the principle that the budget crisis must be solved on the backs of the working class.

Recent columns in the *Los Angeles Times* by Steve Lopez have sought to blame the current crisis in

California education on a handful of so-called bad teachers, as if the \$20 billion funding cut during the past year alone is of negligible importance. In a recent column, Lopez gave support to a reactionary organization called "Parent Revolution," a group that aims to issue threats to form charter schools when public schools in their district don't perform to their expectations. His article finished with a call to "Storm the gates and take no prisoners."

The Obama administration has pushed charter schools and other right-wing proposals on education, while standing by as California has implemented its crippling cuts in public education.

As a result of these cuts, more than 40,000 teachers and staff will not be returning to their jobs this September, meaning that the remaining teachers will face excessively large class sizes and in many cases will be forced to teach subjects that they are unqualified to teach.

The budget crisis continues to reveal the desire of the American ruling elite to transform class relations within states across the country, dismantling whatever remains of the social safety net along with vital resources and infrastructure.

The Socialist Equality Party will be holding a meeting on Saturday, August 1 in South Pasadena, California to address the crisis and build a conscious movement in the working class in opposition to it. We urge all workers, student youth and intellectuals to attend this important event. Click here for more information.



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